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DE RUEHTU #1816/01 1990949
ZNR UUUUU ZZH
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FM AMEMBASSY TUNIS
TO RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 1312

UNCLAS TUNIS 001816

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STATE PASS TO USTR (BELL)
STATE FOR NEA/MAG (HARRIS), EB/IFD/OIA (TRACTON), EB/TPP,
EUR/ERA
USDOC FOR ITA/MAC/ONE (ROTH)

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EU](#) [TS](#)
SUBJECT: EUROMED ECONFIN MINISTERIAL CONFERENCE JUNE 25-26,
2006

REF: TUNIS 1599

¶1. (SBU) Summary and Comment: On June 25-26, 2006, economic and finance ministers (ECOFIN) of the 35 countries of the Euromed zone met in Gammarth, Tunisia to discuss the future of the European Investment Bank's (EIB) Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and the possibility of creating a new regional development bank. While Tunisia and many southern Mediterranean countries support the idea of a regional development bank, that was only one of several scenarios the conference considered, and it is unlikely to materialize anytime soon, notwithstanding their support for the idea. Demonstrating the importance the GOT attaches to this issue, Minister of Development and International Cooperation (MDIC) Jouini postponed the scheduled June 30th Trade and Investment Framework Agreement (TIFA) Council Prepcom with AUSTR Donnelly so he could attend the conference. End summary and comment.

EUROMED CONFERENCE HIGHLIGHTS

¶2. (U) On June 25-26, a joint meeting of the sixth Euro-Mediterranean Ministerial Committee and the second Economic and Finance Ministers (ECOFIN) Council took place in Gammarth, Tunisia. Its purpose was to discuss the future of the European Investment Bank's Facility for Euro-Mediterranean Investment and Partnership (FEMIP). (Note: The FEMIP Mediterranean partner countries include Morocco, Algeria, Tunisia, Egypt, Gaza/West Bank, Israel, Lebanon, Jordan, Syria, and Turkey. End note.) The current mandate of the partnership expires at the end of 2006.

¶3. (U) In his opening statement, European Commissioner for Economic and Monetary Affairs Almunia spoke of the problems of low per capita growth and high unemployment, especially among the young, that exist on the Mediterranean's northern and southern shores and emphasized the need to pursue reforms to lift obstacles to investment, innovation, and sustainable growth. The commissioner also pointed to GDP growth in the region, which averaged 4.8% in 2005. In his opinion, the development of the private sector is the only way to help address the economic concerns of the region.

¶4. (U) According to news reports, several EUROMED countries agreed on how to enhance regional economic strength. The main issues discussed were improving the business climate for private sector development, further liberalizing trade and opening up the economy, upgrading public institutions and

economic governance, and securing macroeconomic stability. The Ministerial Committee also reportedly suggested ways to develop the energy markets in the region, particularly the natural gas sector, and to maintain FEMIP's investment in support of renewable energy.

15. (U) The members did not agree on how to reorganize FEMIP. According to the French Embassy's 'Tunisian economic and financial news' country review, the conference envisioned three potential scenarios: a) renew FEMIP in its current form and keep the status quo; b) create a Euro-Mediterranean Regional Development Bank to gain greater visibility in the Euromed region; c) create a steering committee that would manage FEMIP-related activities and loan programs of the EIB.

16. (U) The Ministerial Committee's next meeting will take place in Cyprus in May 2007. In the months before the next meeting, FEMIP will hold two forums: one on the development of trans-Euro-Mediterranean transport networks during the final quarter of 2006 and one on remittances by Mediterranean migrants during the first quarter of 2007.

COUNTRY POSITIONS ON REGIONAL BANK

17. (SBU) Tunisia, like many other southern Mediterranean states, has long seen the establishment of a Euro-Mediterranean Development Bank as a way of promoting growth. In a statement quoted in the press, Tunisian Development Minister Mohamed Nouri Jouini said the creation of a bank would be beneficial because it could grant loans at lower interest rates. Separately, in conversations with econoff, Tunisian MDIC officials said that they wanted to see the creation of a regional bank because they believed EIB

funds were being diverted away from FEMIP to new EU member countries from eastern Europe. One MDIC official made clear that the GOT was disappointed that the regional bank was not created.

18. (SBU) Comment: Demonstrating the importance the GOT attaches to this issue, Jouini postponed the scheduled June 30th Trade and Investment Framework Agreement (TIFA) Council Prepcom with AUSTR Donnelly (reftel) and did not attend the June 26-28 U.S.-Arab Economic Forum in Houston, TX. The Tunisian-American Chamber of Commerce (TACC) also cancelled its congressional trade promotion visit (scheduled for June 26 -30) to Washington because Jouini could not attend. End comment.

19. (U) According to the media, Morocco turned out to be the staunchest defender of the proposed bank, while Egypt proposed that such a bank only be set up in the long term. Media reports speculated that some southern Mediterranean countries worried that a Euromed bank would lead to political rivalries between countries over loan applications. Many countries also reportedly prefer to pursue bilateral arrangements.

HUDSON